



DEPARTMENT OF VETERANS AFFAIRS

8320-01

38 CFR Part 9

RIN 2900-AO24

Veterans' Group Life Insurance (VGLI) No-Health Period Extension

AGENCY: Department of Veterans Affairs.

ACTION: Proposed rule.

SUMMARY: The Department of Veterans Affairs (VA) proposes to amend its regulations governing eligibility for Veterans' Group Life Insurance (VGLI) to extend to 240 days the current 120-day "no-health" period during which veterans can apply for VGLI without proving that they are in good health for insurance purposes. The purpose of this proposed rule is to increase the opportunities for disabled veterans to enroll in VGLI, some of who would not qualify for VGLI coverage under existing provisions.

DATES: Comments must be received by VA on or before Insert date 30 days after date of publication in the FEDERAL REGISTER.

ADDRESSES: Written comments may be submitted through <http://www.Regulations.gov>; by mail or hand delivery to Director, Regulations Management (02REG), Department of Veterans Affairs, 810 Vermont Ave., NW, Room 1068, Washington, DC 20420; or by fax to (202) 273-9026. Comments should indicate that they are submitted in response to "RIN 2900-AO24--

Veterans' Group Life Insurance (VGLI) No-Health Period Extension." Copies of comments received will be available for public inspection in the Office of Regulation Policy and Management, Room 1063B, between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday (except holidays). Please call (202) 461-4902 for an appointment. (This is not a toll-free number.) In addition, during the comment period, comments may be viewed online through the Federal Docket Management System (FDMS) at <http://www.Regulations.gov>.

FOR FURTHER INFORMATION CONTACT: Monica Keitt, Attorney/Advisor, Department of Veterans Affairs Regional Office and Insurance Center (310/290B), 5000 Wissahickon Avenue, P.O. Box 8079, Philadelphia, PA 19101, (215) 842-2000, ext. 2905. (This is not a toll-free number.)

SUPPLEMENTARY INFORMATION: The Secretary of Veterans Affairs has authority to prescribe regulations that are necessary or appropriate to carry out the laws administered by VA and that are consistent with those laws. 38 U.S.C. 501(a). Section 1977 of title 38, United States Code, authorizes the Veterans' Group Life Insurance (VGLI) program, which provides servicemembers separating from service with the option of converting existing Servicemembers' Group Life Insurance (SGLI) coverage into renewable, 5-year term group life insurance coverage. 38 U.S.C. 1968(b)(1)(A); see 38 U.S.C. 1977(b). Furthermore, section 1977(b)(5) authorizes VA to impose reasonable and practicable terms and conditions on the provision of VGLI. VA has exercised that

authority by providing, in 38 CFR 9.2(b), effective dates of VGLI coverage, provided that the administrative office has received an application and the initial premium within certain specified periods, usually within 120 days following termination of duty.

Section 9.2(c) provides an exception to the imposition of those limitation periods. If either an application or the initial premium has not been received by the administrative office within the applicable period specified in § 9.2(b), VGLI coverage may still be granted if the administrative office receives an application, the initial premium, and “evidence of insurability” within 1 year and 120 days following termination of duty. Thus, evidence of insurability is not required if a veteran submits to the administrative office an application and the initial premium within the period required by § 9.2(b), but evidence of insurability is required if a veteran utilizes the 1-year grace period provided by § 9.2(c). This proposed rule would extend the period during which no evidence of insurability is needed from 120 days to 240 days.

VA proposes to amend § 9.2(c) to extend the “no-health” period during which veterans can apply for VGLI without the need to provide “evidence of insurability” demonstrating good health that is normally necessary to obtain life insurance. Under § 9.2(c), a veteran has an eligibility period of “1 year and 120 days following termination of duty” to apply for VGLI. Currently, during the initial 120 days following termination of duty, veterans can qualify for VGLI without the need to prove that they are “insurable.” This proposed rule would extend the VGLI “no-health” period from 120 days to 240 days; it would make no change to

the 1 year and 120-day VGLI eligibility period following termination of duty except to extend the period during which no evidence of insurability is needed.

VA is proposing to extend the 120-day “no-health” period to 240 days to increase the opportunity for disabled veterans to apply for VGLI. VA has found that during the initial 120-day adjustment period following termination of duty, many veterans have not had time to assess their life insurance needs. An expanded “no-health” period would also provide VA Insurance outreach services with an increased opportunity to discuss insurance coverage with these veterans while they are still in the “no-health” period. By amending § 9.2(c), VA would ensure that veterans with service-connected disabilities have ample opportunity to provide life insurance protection for their families and loved ones.

In addition to changes made to the length of the “no-health” period, this amendment of § 9.2(c) would also include removal of the words “Servicemembers’ Group Life Insurance or,” which refers to Retired Reservist SGLI, which was discontinued by Public Law 104-275 as an independent program on October 9, 1996, because the program was merged into the VGLI program and extended VGLI to members of the Ready Reserves. As a result, reference to SGLI in § 9.2(c) is no longer applicable.

Finally, VA is proposing to amend § 9.2 by revising the authority citation that follows § 9.2(b)(4) to read “(Authority: 38 U.S.C. 1977)” instead of “(Authority: 38 U.S.C. 1977(e)).” This amendment will reflect the proper legal authority under which VGLI provisions apply, as it relates to this regulation,

instead of just paragraph (e), which is not broad enough to provide the proper authority for VGLI provisions provided under § 9.2.

VA estimates that there would be no additional costs to the Government as a result of this proposed rule. We anticipate that the final rule will be effective in early fall 2012, and apply to veterans released from service on or after the effective date.

Comment Period

Although under the rulemaking guidelines in Executive Order 12866, VA ordinarily provides a 60-day comment period, the Secretary has determined that there is good cause to limit the public comment period on this proposed rule to 30 days. VA does not expect to receive a large number of comments on this proposed rule, particularly comments that are negative or that oppose this rule, because this rule would increase the opportunity for veterans to obtain valuable insurance coverage that is needed to help ensure financial security for their families, while placing no additional burdens on veterans or their families. Lastly, VA believes that implementation of this regulation is particularly urgent because by extending the VGLI “no-health” eligibility period, it will enable some of the most disabled veterans to obtain insurance coverage when eligibility for commercial insurance is not possible due to their disabilities. The 30-day review and comment period will not result in any additional cost or cause any negative impacts on the program, but will make the extended “no-health” period available to disabled veterans sooner. Accordingly, the Secretary has determined that it is

unnecessary, impracticable, and contrary to the public interest to provide for a longer comment period, and VA has provided that comments must be received within 30 days of publication in the Federal Register.

Unfunded Mandates

The Unfunded Mandates Reform Act of 1995 requires, at 2 U.S.C. 1532, that agencies prepare an assessment of anticipated costs and benefits before issuing any rule that may result in an expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more (adjusted annually for inflation) in any year. This proposed rule would have no such effect on State, local, and tribal governments or on the private sector.

Paperwork Reduction Act

This proposed rule contains no provisions constituting a collection of information under the Paperwork Reduction Act (44 U.S.C. 3501-3521).

Executive Orders 12866 and 13563

Executive Orders 12866 and 13563 direct agencies to assess the costs and benefits of available regulatory alternatives and, when regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, and other advantages; distributive impacts; and equity). Executive Order 13563 (Improving Regulation and Regulatory Review) emphasizes the importance of quantifying

both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility. Executive Order 12866 (Regulatory Planning and Review) defines a “significant regulatory action,” which requires review by the Office of Management and Budget (OMB), as “any regulatory action that is likely to result in a rule that may: (1) Have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities; (2) Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; (3) Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or (4) Raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles set forth in this Executive Order.”

The economic, interagency, budgetary, legal, and policy implications of this regulatory action have been examined and it has been determined not to be a significant regulatory action under Executive Order 12866.

Regulatory Flexibility Act

The Secretary of Veterans Affairs hereby certifies that this proposed rule would not have a significant economic impact on a substantial number of small entities as they are defined in the Regulatory Flexibility Act, 5 U.S.C. 601-612. This proposed rule would directly affect only individuals and will not directly affect any small entities. Therefore, pursuant to 5 U.S.C. 605(b), this proposed rule is

exempt from the initial and final regulatory flexibility analysis requirements of sections 603 and 604.

Catalog of Federal Domestic Assistance Number and Title

The Catalog of Federal Domestic Assistance number and title for the program affected by this document is 64.103, Life Insurance for Veterans.

Signing Authority

The Secretary of Veterans Affairs, or designee, approved this document and authorized the undersigned to sign and submit the document to the Office of the Federal Register for publication electronically as an official document of the Department of Veterans Affairs. John R. Gingrich, Chief of Staff, Department of Veterans Affairs, approved this document on June 20, 2012, for publication.

List of Subjects in 38 CFR Part 9

Life insurance, Military personnel, Veterans.

Dated: June 20, 2012

Robert C. McFetridge, Director,
Office of Regulation Policy and Management,
Office of the General Counsel,
Department of Veterans Affairs.

For the reasons stated in the preamble, the Department of Veterans Affairs proposes to amend 38 CFR part 9 as follows:

PART 9—SERVICEMEMBERS' GROUP LIFE INSURANCE AND VETERANS' GROUP LIFE INSURANCE

1. The authority citation for part 9 continues to read as follows:

AUTHORITY: 38 U.S.C. 501, 1965-1980A, unless otherwise noted.

2. Amend § 9.2 by:

- a. Revising the authority citation at the end of paragraph (b).
- b. Revising paragraph (c).
- c. Adding an authority citation at the end of the section.

The revisions and addition read as follows:

§ 9.2 Effective date; applications.

* * * * *

(b) * * *

(Authority: 38 U.S.C. 1977)

(c) If either an application or the initial premium has not been received by the administrative office within the time limits set forth above, Veterans' Group Life Insurance coverage may still be granted if an application, the initial premium,

and evidence of insurability are received by the administrative office within 1 year and 120 days following termination of duty, except that evidence of insurability is not required during the initial 240 days following termination of duty.

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(Authority: 38 U.S.C. 501, 1967, 1968, 1977)

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